

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: INTERSTATE POWER COMPANY, IES UTILITIES INC., AND MIDAMERICAN ENERGY COMPANY	DOCKET NOS. ARC-99-150 ARC-99-151 ARC-99-156
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FINAL REPORT

(Issued February 10, 2000)

Under 199 IAC 20.13(2) the Utilities Board (Board) is directed to conduct an annual proceeding to evaluate the reasonableness and prudence of each rate-regulated public utility's procurement and contracting practices relating to the acquisition of fuel for use in generating electricity. The rule requires each proceeding to be conducted as a contested case pursuant to Iowa Code chapter 17A (1999). Iowa Code § 476.6(16) provides that in this review proceeding, if a utility is not taking all reasonable actions to minimize its fuel costs, the Board shall not allow the utility to recover from its customers fuel costs in excess of those costs that would have been incurred under reasonable and prudent policies and practices. The burden is on each utility to prove that it is taking all reasonable actions to minimize its purchased fuel costs 199 IAC 20.13(2)"c."

On May 14 and 17, 1998, MidAmerican Energy Company (MidAmerican), Interstate Power Company (Interstate), and IES Utilities Inc. (IES) filed annual fuel procurement plans pursuant to 199 IAC 20.13(1) and (2). On June 9, 1999, the

Board docketed the filings as separate contested case proceedings and established a joint procedural schedule for each docket.

The procedural schedule provided the Consumer Advocate Division of the Department of Justice (Consumer Advocate) and any intervenors were to file prepared direct testimony on or before June 30, 1999. Consumer Advocate submitted prepared direct testimony in each of the dockets. Consumer Advocate did not recommend any rate disallowances. There were no intervenors in any of the dockets.

Hearings were held in the three ARC dockets on September 2, 1999. The hearings focused on coal supply at each utility's electric generating plants, the utility's plans to increase inventory to an adequate level, and Year 2000 (Y2K) preparedness. Parties were given an opportunity to file initial briefs on October 1, 1999, and reply briefs on October 11, 1999.

Iowa Code § 476.6(16) (1999) requires an evaluation of the reasonableness and prudence of a utility's procurement and contracting practices. This "evaluating" process does not require a binding ruling on procurement and contracting practices. The statute imposes upon the Board or its designee a duty to disallow recovery from utility customers of increased fuel costs if a utility is not taking all reasonable actions to minimize its fuel costs. Nonetheless, the failure to disallow increased fuel costs in these proceedings does not mean the utilities have met their burden of proof that their plans are reasonable and prudent. Rather, it simply means that the records in these proceedings do not contain sufficient evidence to warrant a disallowance of

fuel costs. Such evidence might later be presented, for example, in a rate case proceeding.

Iowa Code § 17A.12(6)"f" permits the conclusion of contested case proceedings with a report rather than a decision or order with preclusive effect. The Board, having examined each utility's filing with respect to its procurement and contracting practices, will close these dockets with this report stating its general conclusions on the record submitted.

The fuel procurement policies of each rate-regulated public utility continue to be appropriate subjects for consideration in, for example, rate case proceedings and future ARC proceedings. The Board generally finds utilities covered by this proceeding have exhibited adequate procurement and contracting practices.

Each utility testified at hearing that coal inventory levels have generally increased over the past two years and that target inventory levels have been met for most generating plants. However, the Board notes that train cycle times could once again become problematic and encourages utilities to continue to explore all coal transport options.

Coal inventory levels were of particular concern in 1999 because of the added uncertainty that Y2K considerations presented. The Board commends the utilities for their Y2K preparedness and notes that Y2K, at least for Iowa utility consumers, was a non-event with no Y2K related disruptions in service.

Because of the continuing importance of an adequate coal supply, the Board will require each utility to file reports containing actual inventory levels and rail

schedules as of March 31, 2000. Each utility shall also provide projected inventory levels and rail schedules through May 31, 2000. The reports shall be filed with the Board on or before April 15, 2000.

Reasonable and prudent fuel procurement and fuel transport practices offer great benefits to ratepayers. The Board encourages each utility to continue to investigate available options so Iowa ratepayers can continue to receive safe and reliable service at the least cost.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Judi K. Cooper
Executive Secretary, Deputy

/s/ Diane Munns

Dated at Des Moines, Iowa, this 10th day of February, 2000.